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"an indispensable part or basis"

Spring 2000

cornerstone

The Estate and Financial Planning Newsletter for Friends of St. Joseph's Health Care Foundation and Hospital

"There is a strange charm in the thoughts of a good legacy, or the hopes of an estate, which wondrously alleviates the sorrow that would otherwise feel for the death of friends."

—from Don Quixote
by Miguel de Cervantes Saavedra

Dear Friends of St. Joe's,
In this Spring Issue, we are profiling two Very Special Friends of St. Joe's who have made very generous gifts in their bequest of life insurance to St. Joseph's Health Care Foundation. I hope you will enjoy their stories, as well as realize why life insurance is so important in estate planning. Life insurance has many advantages over other financial products and you may want to discuss this with your financial advisors, particularly a life insurance professional experienced in Estate Planning.

I know that you will find the information inside this issue to be very helpful when planning for your future. We would also like to hear back from you. Your comments and questions are very important to us. Be sure to fill out the tear-off reply form and send it back to the Foundation. We'll be happy to provide you with the information you need to successfully plan for your future.

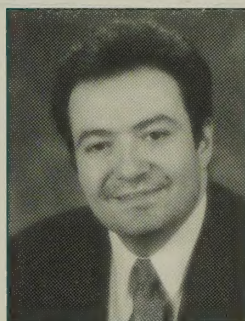
If you would like more information about Planned Giving, we invite you to attend a Planned Giving Tea at St. Joseph's Health Care Foundation on Wednesday, June 7, 2000 from 1:30 - 3:30 pm. Please call us at (905) 521-6036 to join us for this informative and enjoyable afternoon.

Cathy Wellwood
Director, Major Gifts
& Planned Giving



You're Never Too Young!

It's never too early to start thinking about the future. St. Joseph's Health Care Foundation is very proud to be profiling two very Special Friends of St. Joe's. These men, both in their 30s, have had the foresight to prepare for their future, knowing that the legacy they are leaving will make a difference to people in our community. We, at St. Joseph's Health Care Foundation, are very proud that these two individuals have become Planned Givers, and hope that their stories encourage more people to follow them down the same path.



Dr. Kevin Smith,
Executive Vice-President
St. Joseph's Hospital

Meet Dr. Kevin Smith.

As the Executive Vice-President of St. Joseph's Hospital, responsible for Medical, Academic & Community Services, Dr.

Smith plays an important role in our health care community. Kevin is accountable for all medical programs and services, academic

affairs, management information systems, human resources and employee health. Added to this impressive list, Dr. Smith is also the Chief Operating Officer for St. Joseph's Community Health Centre, where you will find Urgent Care, specialty clinics, geriatric and mental health services, and many more programs.

Dr. Kevin Smith believes in the importance of quality health care for all members of our community, which is improved by cutting-edge research and health professional education. He recognizes the

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As the Executive Director of the Morgan Firestone Foundation, Craig Dowhaniuk knows the importance of fundraising to charitable organizations and health care institutions. Craig is responsible for a foundation that allocates approximately \$2 million a year to a large variety of local and national charities, including St. Joseph's Health Care Foundation.

In his position, Craig knows the role that charitable organizations play in the lives of the people in our community. And he knows how important it is for people to become involved, giving something back to the community that provides for us



Craig Dowhaniuk
Executive Director
Morgan Firestone
Foundation

all. Craig, himself, has gotten involved with our community.

He has become a trustee for the Hamilton-Wentworth Separate School Board, a member of the Board of Governors of Hamilton-Wentworth Junior Achievement, a member of the Board of Directors of the Community Advisory Board of Atrium Villa Retirement Home, as

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Modern Alchemy

Turning Taxes Into Legacies

by: Richard J. Howarth

Registered Retirement Savings Plans (RRSPs) and Registered Retirement Income Funds (RRIFs) are two of the most popular methods to save and provide income for retirement. When these Registered Plans are wound up on death, however, unless there is a surviving spouse, the proceeds are considered income in the year of death and taxed accordingly. This usually results in taxation at the top tax rate—around 50% in Ontario.

Many financial advisors and planners will recommend insuring the tax liability so that a tax-free life insurance death benefit can be used to pay the taxes; then the family inherits the full value of the estate. However, even with the insurance, and even though the full value of the estate goes to the family, the government still gets an amount equal to one half of the retirement savings. Many people still want to reduce their taxes further.

If you are one such person and you would like to leave the world a little better than when you arrived... please read on...because there is a way!!!

The solution involves instructing your executors (through your will) to make a charitable donation equal to the value

of your RRIF or RRSP proceeds, which results in no taxes being paid on these proceeds. NO TAX!!!! So what's the catch? Well you have to give away your registered estate... and what about the kids and grandkids?

Well...remember the life insurance? It can provide the tax-free estate you wanted to leave in the first place. So by having a life insurance programme roughly equal to the value of your registered estate, you can end up paying NO TAX, leaving a substantial bequest to your

favourite charity, and leaving a full inheritance to your children and grandchildren.

Here are two examples; the numbers are random and are only used as illustrations:

No Planning

Let's look at a situation where you did nothing and let nature take its course. We'll assume that there was no surviving spouse and that you had RRSP's or RRIF's worth \$250,000.

RRIF/RRSP Value at death:	\$250,000
Tax Payable @ 50%	(\$250,000)

Children/Grandchildren receive	\$125,000
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Insured Donation

Using a life insurance policy, ensure that the Children receive the whole inheritance and benefit your favourite charity with a bequest of \$250,000!

RRIF/RRSP Value at death:	\$250,000
Charitable Bequest by will:	(\$250,000)
Tax Payable @ 50%:	\$0
Life Insurance proceeds:	\$250,000

Children/Grandchildren receive	\$250,000
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And the cost? Life Insurance products have developed and evolved considerably over the past several years. There are some surprisingly inexpensive insurance solutions in the marketplace today.

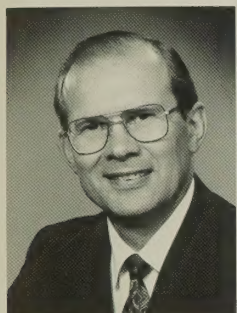
These strategies, while simple, require expert advice. You must consult with your life insurance broker, financial advisor, lawyer and accountant to get a complete picture of what suits you best.

The Federal Government has proposed in their February 2000 budget, that life insurance policies, RRSPs, and RRIFs may designate a Registered Charity as beneficiary. The proceeds, on death, would now qualify as a donation in the year of death. This proposal may change the mechanics of the strategy above, but result is the same. 

Richard J. Howarth CFP, CLU, CH.F.C., is an Estate and Retirement Planning Specialist with Dan Lawrie Insurance Brokers Ltd., Hamilton.



Reduce your tax bill...and help our Foundation!



Carl Weldon, is an Investment Advisor with RBC Dominion Securities in Kitchener.

In a recent interview with Carl Weldon, from RBC Dominion Securities, Cornerstone asked about the advantage for donors of giving gifts of listed securities to their favourite charity, like our

Foundation. "It's like manufacturing money out of thin air," states Weldon, referring to the tremendous tax advantage available to those who transfer shares directly to the Foundation rather than selling them first.

Here's how it works; when shares of a listed company are transferred directly to our Foundation, the donor only has to pay tax on 33.3% of any capital gains... that's half of the usual 66.6%. (The recent Federal Budget lowered the capital gains inclusion rate.) A donation receipt is issued for the full value of the shares transferred, which, in most cases, will eliminate the capital gains tax and can be used to reduce other income taxes. Weldon says, "for those who are inclined to give, this is a great way to do it."

Many people have enjoyed tremendous gains in their stock portfolios in recent times, Weldon observes. "BCE (Bell Canada) comes to mind because so many people have had it for so long and

have huge capital gains built up." He adds that some high tech companies, for example, have seen increases that are "mind boggling."

With stock prices so high and with the tax break for donations of listed securities set to close at the end of 2001, now is a great time to consider donating some of these stocks. Our Foundation has been the recipient of a growing number of these types of gifts.

Donors can "re-balance portfolios, realize some profits, and make a significant gift," says Weldon. He suggests considering donating shares that have "had some big gains but that have the potential to drop." The recent demutualization of some of Canada's life insurance companies also offers a unique opportunity for gifts.

Weldon states that the process is quite simple. The donor meets with their advisor to "look over the portfolio to select the appropriate security to transfer, which can be done electronically." Once the shares are received by the Foundation, a receipt will be issued for the market value on the day of the transfer.

Interested in making a gift to the Foundation but do not have the cash available? Consider giving a gift of shares instead. It is simple and, when done properly, will allow you to "share the wealth" and save some tax. 

by Jeff O'Hagan, Manager of Gift Planning, St. Mary's General Hospital Foundation, Kitchener

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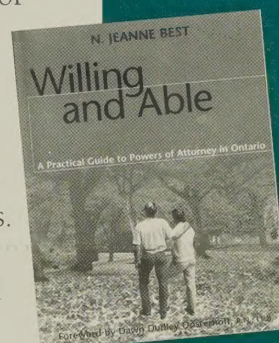
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GOVERNMENT DOCUMENTS

The Bookshelf

Willing and Able
A Practical Guide to Powers of Attorney in Ontario
By N. Jeanne Best (\$20.00)

a review by Sarah Leyshon-Hughes



N. Jeanne Best has written a book which is truly what the sub-title suggests: a practical guide to powers of attorney in Ontario.

Best begins with definitions, the history of powers of attorney, the law in Ontario, and discusses mental capacity in a manner that is concise and readable.

The book then outlines the requirements and guidelines for naming a power of attorney in Ontario, both for property and for personal care. This well-written, comprehensive guide helps to deal with the problems which can occur for those contemplating appointing an attorney and for the attorney named.

In addition the book deals with special circumstances which can occur, and gives helpful suggestions in dealing with them.

For anyone who has a power of attorney, is going to name one or who has been named power of attorney for a family member or friend, this helpful guide is a must read.

The book is available through Best Associates Paralegal Services, 277 Anne St. North, Barrie, Ontario L4N 4Y1.

Sarah Leyshon-Hughes is the Manager, Estates & Trusts at TD Canada Trust in Kitchener. She is a member of the Planned Giving Advisory Committee at the St. Mary's General Hospital Foundation

Life Insurance Opportunities

Given the existing tax environment in Canada, more and more donors are looking for opportunities to minimize the final taxes that are going to have to be paid on their death. A number of estate planning strategies use charitable giving as a means to reduce their tax bill. Planned Giving also provides a tool by which donors of modest means can leave their favorite charity a sizeable bequest with minimal impact on the money they leave to their loved ones.

Depending on how the contract is structured, life insurance can have numerous advantages when used as a charitable gift.

1. The donor can create a large donation on death for a relatively small premium.
2. The donor can leave an entire estate intact for the estate's beneficiaries.
3. The life insurance policy can generate a larger gift than an investment.
4. The life insurance policy can be paid directly to a charity, thus avoiding probate fees.
5. If a charity has been named as the beneficiary of a life insurance policy, the policy cannot be contested, whereas a will may.

Craig Dowhaniuk cont'd from front cover

well as many more positions within a variety of local organizations.

As well as donating many hours of his time to a variety of worthy causes, Craig has also decided to make a financial commitment. By purchasing a life insurance policy for St. Joseph's Health Care Foundation, he has joined with many friends of St. Joe's by becoming a Planned Giver. At an earlier age than most, Craig has seen the value of planning for the future and by doing so, being able to give back to a community that provides so much for so many people.

When asked why he became a Planned Giver for St. Joseph's, Craig stated that he "had been inspired by the philanthropic actions of his mentor and friend, Morgan Firestone." He continued by saying how important it is that "the present administration of St. Joseph's Hospital continues to care for the people in our community in the same caring and compassionate manner as the Sisters of St. Joseph, when they first founded the Hospital." 

Life Insurance Opportunities cont'd

6. The donor can remain anonymous if they so desire.
7. The life insurance policy can generate an immediate tax credit for the estate to offset capital gains tax payable on death.

At the present time, the majority of Planned Givers at St. Joseph's Health Care Foundation have opted to take out life insurance policies, naming the Foundation as their beneficiary.

Dr. Kevin Smith cont'd from front cover

important role that St. Joseph's Health Care Foundation has for raising funds to ensure that St. Joseph's consistently provides the health care our community needs – not only for our present generation, but also for future generations. This is why Kevin has purchased a life insurance policy, naming St. Joseph's Health Care Foundation as its beneficiary. This legacy allows him to give something back to the community and hospital, which have given so much to him.

Even though Dr. Kevin Smith is only in his 30s, he realizes the benefits of planning for the future at an early age. Not only does he realize instant financial benefits for his Planned Giving, through tax receipts for his insurance premiums, he has the satisfaction of knowing that, through his financial commitment to St. Joseph's and our community, he is ensuring quality health care for our future generations.

Planned Giving is an important fundraising tool for any health care institution. In his position, Kevin knows that we can no longer rely on government funding exclusively for the necessary health care of our community.

Through Planned Giving, whether it be an insurance policy or an outright bequest, Kevin knows that his legacy provides him the opportunity to know that our children and their children will continue to be able to access the quality health care services of St. Joseph's Hospital – services that he has worked hard to provide for our community. 

*We want to hear from you!
What would you like to know
more about?*

I am interested in learning more about Planned Giving Opportunities, especially:

- | | |
|--|--|
| ☐ How I can make gifts of life insurance. | ☐ How I can make gifts of Security. |
| ☐ How I can make gifts in my will. | ☐ Yes, I have made a gift to St. Joseph's |
| ☐ How I can make gifts of Property. | Health Care Foundation in my will. |

(Please print)

Name(s) Mr./Mrs./Ms./Miss _____

Address _____

City _____ Prov _____ Postal Code _____

Telephone () _____ Best time to phone _____

Please mail this card to:

St. Joseph's Health Care Foundation

354 King Street West, Hamilton, ON L8P 1B3

Tel: (905) 521-6036 Fax: (905) 577-0860

Registered Charitable Number: (BN) 11918 3549 RR0001



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